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*Douglas Reagan Horton*

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

Producers 88 (4-89) — Paid Up  
With 640 Acres Pooling Provision

## **PAID UP OIL AND GAS LEASE (NO SURFACE USE)**

THIS LEASE AGREEMENT is made this 11<sup>th</sup> day of August, 2008, by and between **Douglas Reagan Horton and wife, Michelle Ann Horton**, whose address is, c/o **James M. Peebles, Jr., 301 Commerce Street, Suite 500, Fort Worth, TX 76102**, as Lessor and **FOUR SEVENS ENERGY CO., L.L.C., 201 Main Street, Suite 1455, Fort Worth, TX, 76102**, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

### **SEE EXHIBIT A FOR PROPERTY DESCRIPTION AND SPECIAL PROVISIONS**

in the county of **Tarrant**, State of **TEXAS**, containing **3.9600** gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **three years** from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **25%** of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casing head gas) and all other substances covered hereby, the royalty shall be **25%** of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

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8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

11. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

12. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

13. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of two years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term, Twenty Thousand dollars (\$20,000.00) per acre consideration, terms and conditions as granted for this lease.

14. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS LEASE, LESSEE AGREES THERE SHALL BE NO DRILLING OR SURFACE OPERATIONS ON SAID PROPERTY WHATSOEVER.

**DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

**SPECIAL PROVISIONS: SEE EXHIBIT "A" ATTACHED HERETO AND MADE PART OF**

**IN WITNESS WHEREOF**, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

**LESSOR**

Douglas Reagan Horton

Printed Name: Douglas Reagan Horton

Title: \_\_\_\_\_

Michelle Ann Horton

Printed Name: Michelle Ann Horton

Title: \_\_\_\_\_

THE STATE OF TEXAS

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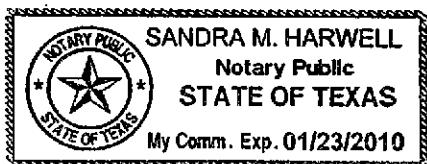
COUNTY OF TARRANT

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This instrument was acknowledged before me on the 21st day of August, 2008, by Douglas Reagan Horton, as Lessor(s).

ACKNOWLEDGEMENT

§



(SEAL)

Sandra M. Harwell

Public Notary, State of Texas

Sandra M. Harwell

Printed Name

01-23-2010

Commission Expires

THE STATE OF TEXAS

§

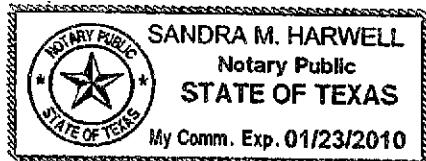
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§



(SEAL)

Sandra M. Harwell

Public Notary, State of Texas

Sandra M. Harwell

Printed Name

01-23-2010

Commission Expires

STATE OF TEXAS

RECORDING INFORMATION

County of \_\_\_\_\_

This instrument was filed for record on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_ o'clock \_\_\_\_ M., and duly recorded in Book \_\_\_\_\_, Page \_\_\_\_\_, of the \_\_\_\_\_ records of this office.

By \_\_\_\_\_

Clerk

## EXHIBIT A

Attached to and made a part of that certain Paid Up Oil and Gas Lease (No Surface Use) dated the 11<sup>th</sup> day of August, 2008, by and between Douglas Reagan Horton and wife, Michelle Ann Horton, as Lessor, and FOUR SEVENS ENERGY CO., L.L.C., as Lessee.

### PROPERTY DESCRIPTION

3.9600 acres of land, more or less, out of the E. Crockett Survey, A-259, Tarrant County, Texas. Further described as:

Tract 1:

Being for Bor Blocks 26,27,28, and 29 Rivercrest, a subdivision in Tarrant County, Texas, now in the City of Fort Worth, as shown on a plat of record in Volume 310, Page 91 & 92, Plat Records, Tarrant County, Texas;

Tract 2:

Being a portion of Alta Avenue, (a private road) adjoining Blocks 26, 27, 28 and 29, of Rivercrest, a subdivision in Tarrant County, Texas (now in the City of Fort Worth) as shown on a plat of Volume 310, Page 91 and 92, Plat Records, Tarrant County, Texas.

Also being commonly known as 1501 Alta Drive, Fort Worth, Texas 76107.

Addendum Provisions Govern: In the event that any of the terms and provisions of this Exhibit A conflict with any of the terms and provisions of the Printed Form Oil and Gas Lease (the Printed Form to which this Exhibit A is attached), then the terms and provisions of this Exhibit A shall control and take precedence, as if the text in the Printed Form was stricken and deleted. The Printed Form and Exhibit "A" shall be referred to as the "Lease." The land referred to in this Lease may sometimes be called the Leased Premises in this Exhibit A.

Royalty: Notwithstanding any provision to the contrary, the royalty on gas shall be computed on the gross proceeds received by the Lessee; provided, however, that Lessee or any affiliate of Lessee shall not make any deduction for, and shall bear all costs and expenses of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, marketing, marketing fees and otherwise making the production ready for sale, transportation or use (collectively the "post production expenses"). Lessor's proportionate share of any costs charged by a non-affiliated third-party which results in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production, so long as such costs are actually incurred and paid by the Lessee for such enhancements. However, in no event shall Lessor receive a price that is less than the price received by Lessee. It is the intent of the parties that the provisions of this paragraph are to be fully effective and enforceable and are not to be construed as surplusage under the holding set forth in *Heritage Resources v. NationsBank*, 939 S.W.2d 118 (Tex. 1996).

No Warranty of Title: This Lease is made with no warranty. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Leased Premises for the basis of the payment of bonus. In no event shall Lessor be required to refund to Lessee any bonus paid.

**INDEMNITY:** TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, LESSEE AGREES TO INDEMNIFY, PROTECT, DEFEND, AND HOLD HARMLESS LESSOR, ITS LEGAL REPRESENTATIVES, AGENTS, AFFILIATED COMPANIES, TRUSTEES, DIRECTORS, OFFICERS, STOCKHOLDERS, PARTNERS, EMPLOYEES, HEIRS, SUCCESSORS, AND ASSIGNS (COLLECTIVELY, "INDEMNITEES") FOR, FROM, AND AGAINST ANY AND ALL CLAIMS, LOSSES, DAMAGES, LIABILITIES, LIENS, FINES, PENALTIES, CAUSES OF ACTION, SUITS, CHARGES, JUDGMENTS, ADMINISTRATIVE ORDERS, REMEDIATION REQUIREMENTS, AND ENFORCEMENT ACTIONS OF ANY KIND, AND ALL COSTS AND EXPENSES INCURRED IN CONNECTION THEREWITH (INCLUDING, BUT NOT LIMITED TO, REASONABLE ATTORNEYS' FEES AND EXPENSES INCURRED BY LESSOR IN ENFORCING THIS INDEMNITY) OF ANY NATURE, KIND, OR DESCRIPTION OF ANY PERSON OR ENTITY, DIRECTLY OR INDIRECTLY ARISING OUT OF, CAUSED BY, OR RESULTING FROM (IN WHOLE OR IN PART) THIS LEASE, OR ANY ACT OR OMISSIONS OF LESSEE, ANY SUBCONTRACTOR, ANYONE DIRECTLY OR INDIRECTLY EMPLOYED BY THEM, OR ANYONE THAT THEY CONTROL OR EXERCISE CONTROL OVER (COLLECTIVELY, "LIABILITIES"). LESSEE SHALL PROMPTLY ADVISE LESSOR IN WRITING OF ANY ACTION, ADMINISTRATIVE OR LEGAL PROCEEDING, OR INVESTIGATION TO WHICH THIS INDEMNIFICATION MAY APPLY, AND LESSEE, AT LESSEE'S EXPENSE, SHALL ASSUME ON BEHALF OF LESSOR (AND THE OTHER INDEMNITEES) AND CONDUCT WITH DUE DILIGENCE AND IN GOOD FAITH THE DEFENSES THEREOF; PROVIDED, HOWEVER, THAT ANY INDEMNITEE SHALL HAVE THE RIGHT, AT ITS OPTION, TO BE REPRESENTED THEREIN BY ADVISORY COUNSEL OF ITS OWN SELECTION AND AT ITS OWN EXPENSE. THIS INDEMNIFICATION SHALL NOT BE LIMITED TO DAMAGES, COMPENSATION, OR BENEFITS PAYABLE UNDER INSURANCE POLICIES, WORKERS' COMPENSATION ACTS, DISABILITY BENEFIT ACTS, OR OTHER EMPLOYEES' BENEFIT ACTS. THIS INDEMNITY IS INTENDED TO ALLOCATE RESPONSIBILITY BETWEEN LESSOR AND LESSEE, AMONG OTHER THINGS, AS CONTEMPLATED BY SECTION 107(E)(1) OF CERCLA AND ANY SUCCESSOR FEDERAL STATUTE, RULE, OR REGULATION OR COMPARABLE STATE STATUTE, RULE, OR REGULATION.

Pooling: Notwithstanding any provision contained herein to the contrary, it is agreed that should Lessee exercise the option to pool or combine the Leased Premises into a pooled unit with other land or leases as herein provided, then such unit will include the entire Leased Premises covered and not a portion thereof.

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Limited to Hydrocarbons: It is also expressly understood that this Lease covers only oil, gas, and other hydrocarbon substances, including sulfur produced in conjunction therewith, in and under the Leased Premises, and that accordingly all other associated substances and minerals are excepted from the terms and provisions of this Lease and reserved to Lessor.

Shut-In Royalty Clause Limitations: Notwithstanding any provision contained herein to the contrary after the end of the Primary Term, this Lease may not be maintained in force solely by reason of the shut-in royalty payments, as provided heretofore, for any one shut-in period of more than two (2) years.

Depth Limitations/Horizontal Severance: If this Lease has not previously terminated pursuant to some other provision thereof, then two (2) years after the end of the primary term hereof, this Lease shall automatically expire as to all depths lying below the deepest producing formation in any well located on the Leased Premises or lands pooled therewith. Lessee shall then execute and deliver to Lessor a recordable release of any and all interests hereunder below the effective depth of this Lease as provided above.

No Surface: Notwithstanding anything to the contrary in this Lease, Lessee agrees there shall be no drilling or surface operations on the Leased Premises whatsoever, for any reason, including without limitation, the right to enter upon the Leased Premises for any reason for the exploration, development, removal, storage, and/or transportation of oil and gas and the right to place or maintain any structures, improvements, equipment, or pipelines in or under the Leased Premises. Notwithstanding the foregoing, such restriction and limitation on the use of the surface of the Leased Premises will not prohibit underground, slant, directional, or horizontal drilling under the Leased Premises that begins and is conducted from the surface of land other than the Leased Premises provided that such drilling activities at all times are sufficiently below the surface of the Leased Premises as to not interfere with or disturb in any manner the present or future use of the surface of the Leased Premises, but in no event shall such subsurface drilling be done at depths less than two hundred (200) feet below the surface of the Leased Premises.

Noise: Noise levels associated with Lessee's operations within one (1) mile of the Leased Premises during and following the drilling and completion of all wells shall be kept to the minimum reasonably possible, taking into consideration all reasonably available equipment and technology in the oil and gas industry, including but not limited to encompassing the drill site in protective sound barriers commonly known as sound blankets to a height consistent with industry practice. Lessee will require any gathering company with whom it contracts to gather gas produced from the Lease to the same noise abatement standards set forth by this paragraph. Further, Lessee shall at all times comply with any and all applicable ordinances of the City of Fort Worth, Texas, regarding Lessee's operations.

Hidden Road and Hidden Lane: It is expressly understood that the Lessee, its employees, agents, partners, servants, invitees, contractors (independent or otherwise), and any other person acting under their direction and/or control, or under the direction and/or control of the independent contractors of any of the foregoing persons and/or entities, shall not use Hidden Road and/or Hidden Lane (or any streets intersecting said streets) for any purpose. All access to the drilling site to be used for the development for minerals under this Lease shall be off of White Settlement Road. In this regard, Lessee shall use all reasonable efforts to inform its employees, agents, partners, servants, invitees, contractors (independent or otherwise), and any other person acting under their direction and/or control, or under the direction and/or control of the independent contractors of any of the foregoing persons and/or entities, of this prohibition.

Well Sites: Lessee shall drill no well under the Leased Premises or lands pooled therewith which has a surface hole location closer to the Leased Premises than the proposed Rivercrest R3H well. The NAD 27 coordinates of the Rivercrest R3H surface hole location are 32.75217410 degrees North latitude, and 97.39264587 degrees West longitude.

Pipelines: No pipelines shall be located on Hidden Road, Hidden Lane, or any street intersecting the foregoing streets, or on any residential lot in the plat attached to this Exhibit.

Subordination: The Lessee shall pay to Lessor all bonus payments, royalties, and delay rentals due under the Lease without seeking a subordination or other mortgage company approval so long as the Leased Premises is not located directly above the actual wellbore.

Royalty Payments: With respect to each well on the Leased Premises or on land pooled therewith, initial royalty payments for oil and/or gas shall be made on or before one hundred twenty (120) days following the month of first (1st) production. Thereafter, all royalties which are required to be paid hereunder to Lessor shall be due and payable in the following manner: Royalty on oil shall be due and payable on or before the end of the first (1st) calendar month following the month of production, and royalty on gas shall be due and payable on or before the end of the second (2nd) calendar month following the month of production.

Parties Bound: All rights, title, and interests of the Lessor and Lessee (the "Parties") in and to the Lease shall inure to the benefit of and be binding upon the Parties, and their respective heirs, executors, administrators, successors, and assigns.

Compliance with Environmental and Other Laws: Lessor agrees to comply with all federal, state, and local laws and regulations—including any city ordinances—that apply to its operations on the Property. Lessee agrees not to allow, and to cause its employees, agents, contractors, and any other person occupying or present on the Property, not to allow, the Release of any hazardous material on, onto, or from the Property that could result in: (i) a violation of any Environmental Law or in the creation of liability or obligations, including without limitation, notification, deed recordation, or remediation, under any Environmental Law, or (ii) a diminution in value of the Property. Lessee further agrees not to handle, use, or otherwise manage, and to

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cause its employees, agents, contractors, and any other person occupying or present on the Property not to handle, use, or otherwise manage, any Hazardous Material in violation of any Environmental Laws or in any but a reasonable and prudent manner so as to prevent the Release or threat of Release of any Hazardous Material on, onto, or from the Property. For purposes of this provision, "Property" means the Leased Premises, surface and subsurface, and all property located thereon or therein. "Environmental Laws" means applicable federal, state, and local laws, including statutes, regulations and orders, ordinances, and common law, relating to protection of the public health, welfare, and the environment, including without limitation, those laws relating to storage, handling, and use of chemicals and other hazardous materials, those relating to the generation, processing, treatment, storage, transport, disposal, or other management of waste materials of any kind, and those relating to the protection of environmentally sensitive areas. "Release" means depositing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing. Additionally, upon receiving any notice regarding the violation of any Environmental Laws, Lessee will forward a copy to Lessor by certified mail within thirty (30) days.

**Notification of Operations:** Upon written request from Lessor, Lessee shall advise Lessor in writing as to the location of each well drilled on the Leased Premises or on property pooled with the Leased Premises on or before seven (7) days after commencement of operations (or within seven [7] days of the date of this Lease for operations commenced prior to the date of the Lease), and shall advise Lessor in writing as to the date of the completion or abandonment of each well drilled within thirty (30) days after such completion or abandonment. Lessee agrees to furnish Lessor with all drilling, and production data, reports, title opinions regarding the Leased Premises, and information when specifically requested by the Lessor. Lessee agrees that it will provide a copy of this Lease or a Memorandum thereof as it is recorded in the Official Public Records of Tarrant County immediately following such recording.

**Right to Review Records:** Lessor shall have the right to review on an annual basis (during normal business hours) all of Lessee's production and royalty payment records only to the extent such records pertain to its operations under the Leased Premises or lands pooled therewith. Such right shall be exercised by Lessor providing written notice to Lessee.

**Miscellaneous:** Lessee's obligations to pay money to Lessor pursuant to the Lease shall be performed at the address of Lessor. Nothing in the Lease negates the usual implied covenants imposed upon Lessee. Section headings are used in the Lease for convenience only, and are not to be considered in the construction or interpretation of the Lease. The execution and ratification of any division order, gas contract, or any other document will not alter any provision of the Lease.

Record & Return to:  
Chesapeake Operating, Inc.  
P.O. Box 18496  
Oklahoma City, OK 73154

DRH MSH